



TaxNewsFlash

Canada

Transfer Pricing Relief for Certain Businesses

July 31, 2026
No. 2026-39

Canadian taxpayers who are part of or lead multinational enterprise (MNE) groups should assess whether they qualify for the proposed new simplified transfer pricing documentation requirements, anticipated in connection with the overhaul to Canada's transfer pricing rules enacted in March 2026. Finance recently released draft legislation that proposes new regulations to allow simplified transfer pricing documentation for small taxpayers and partnerships, and for a set of qualifying transactions including small transfers of tangible property, small intra-group services transactions and certain loans, subject to specific revenue and transaction thresholds, among other measures. The simplified documentation requirements are intended to provide a reduced compliance alternative to the full Canadian transfer pricing contemporaneous documentation requirements for certain low-risk taxpayers and transactions to avoid a transfer pricing penalty. The draft proposals also introduce an anti-avoidance rule related to the simplified transfer pricing documentation regime.

Affected taxpayers should assess whether the relief is available under these proposed changes to contemporaneous documentation which are effective for taxation years that begin on or after January 1, 2026. Note that MNE groups that qualify for relief are still required to determine and use arm's length pricing based on arm's length conditions for cross-border transactions between non-arm's length persons.

Finance released the draft legislative proposals on July 23, 2026, and is accepting comments until September 4, 2026.

Background

Canada has overhauled its transfer pricing rules based on significant changes announced in the 2025 federal budget, reflecting a formal shift toward international standards and transfer pricing guidance published by the Organisation for Economic Co-operation and Development (OECD Transfer Pricing Guidelines). Bill C-15, which received Royal Assent on March 26, 2026, included new transfer pricing adjustment rules and documentation requirements that apply to taxation years beginning after November 4, 2025. The new transfer pricing adjustment rules require taxpayers to analyze cross-border transactions between non-arm's length persons based not only on the contractual terms of the transaction or series, but also on other economically relevant characteristics. Revisions to the full transfer pricing contemporaneous documentation rules require taxpayers to obtain additional information to satisfy the new requirements.

Although the 2025 federal budget proposed measures to simplify documentation requirements where prescribed conditions are met, Finance had not previously issued any regulations for these requirements. For more information, see *TaxNewsFlash-Canada* 2026-20 "[Canada Enacts 2025 Budget Measures](#)" and *TaxNewsFlash-Canada* 2025-44 "[MNEs — Prepare for Canada's New Transfer Pricing Rules](#)".

Simplified documentation

Although the proposed rules lessen the compliance burden related to full contemporaneous transfer pricing documentation, eligible taxpayers and partnerships must still maintain prescribed records. Generally, if a taxpayer or partnership qualifies for simplified transfer pricing documentation, the documentation must accurately describe:

- The terms and conditions of the relevant transaction or series of transactions (including participants involved, property or services related to the transaction or series, and amounts paid or payable (received or receivable))
- An analysis showing that amounts were determined using arm's length conditions.

Taxpayers and partnerships must also accurately document any material changes in subsequent years and provide the documentation to the CRA within 30 days of a written request.

In some cases, small taxpayers and partnerships must also demonstrate eligibility for the applicable simplified documentation rule.

The draft regulations allow certain taxpayers and partnerships to rely on simplified transfer pricing documentation based on the size of the taxpayer or the quantum of the transaction:

- *Small taxpayers and partnerships* — To qualify under this rule:

- The total gross revenue of the taxpayer or partnership and all other Canadian-resident members of the MNE group, other than a member of that partnership, must not exceed CAD\$25 million in the immediately preceding taxation year
- The taxpayer or partnership must also not have disposed of intangible property (or incorporeal property) to a non-arm's length non-resident during the year, and
- The taxpayer or partnership must not have paid, credited or received a royalty payment to or from a non-arm's length non-resident during the year.
- *Sales or purchases of tangible property* — To qualify, the gross amount paid or payable (or received or receivable) for the tangible property related to the transaction or series during the taxation year must not exceed CAD\$5 million
- *Intra-group services* — To qualify, the gross amount paid or payable (or received or receivable) for the provision or receipt of services between the taxpayer or partnership and a non-arm's length non-resident, in respect of a transaction or series during the taxation year, must not exceed CAD\$2 million
- *Loans or borrowings* — A lending or borrowing of money can qualify where the gross amount of interest paid or payable (or received or receivable) on the loan, in respect of a transaction or series in the taxation year, must not exceed CAD\$1 million.

In each case, the taxpayer or partnership must meet the prescribed conditions and elect to use simplified documentation, in prescribed form and manner, by its documentation-due date for the taxation year.

Anti-avoidance rule

The draft proposals include an anti-avoidance rule intended to prevent taxpayers from structuring transactions in order to qualify for simplified documentation. The anti-avoidance rule will effectively deny a taxpayer's or partnership's access to the simplified documentation regime for a transaction or series of transactions in one or more years where it is reasonable to conclude that one of the purposes of the transaction or series is to benefit from the simplified documentation rules. In these cases, the taxpayer or partnership would instead have to meet the full contemporaneous documentation requirements for the transaction or series. The explanatory notes provide two examples in which the anti-avoidance rule will apply.

KPMG observation

These new simplified documentation requirements create a tiered transfer pricing documentation regime. Taxpayers below the relevant thresholds can rely on substantially simplified transfer pricing documentation, provided they elect into the regime and maintain records that demonstrates that their intercompany pricing is consistent with arm's length conditions (which supports the standard for reasonable

efforts). Finance confirms in the explanatory notes that taxpayers and partnerships qualifying for relief may still be subject to a transfer pricing penalty if reasonable efforts are not made.

The requirement to provide simplified transfer pricing documentation to the CRA within 30 days of a written request is consistent with the revised submission timeline for contemporaneous transfer pricing documentation to 30 days (down from three months) following a CRA request. The revised submission timeline for contemporaneous transfer pricing documentation is effective for taxation years beginning after November 4, 2025, which was enacted with the new transfer pricing rules.

Note that neither Finance nor the CRA have yet issued prescribed forms for the elections to use simplified documentation.

We can help

Your KPMG adviser can help you assess the effect of these new developments. For more details, contact a KPMG Transfer Pricing Professional in Canada.

kpmg.com/ca



[Contact Us](#) | [KPMG in Canada Privacy Policy](#) | [Legal](#)

Information is current to July 30, 2026. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.